
From: Matt Denegre
Sent: Friday, September 7, 2018 9:22 AM
To: Steve Bellah
Cc: Tony Ludlow
Subject: ACET Plan
Attachments: ACET Plan (Sept. 2018).pdf

Steve,

Attached is the ACET plan. The plan provides the company resources to grow quickly and profitably under a restructured entity. It would require additional capital from Super G.

Let me know if you would like to discuss.

Best Regards,

Matt Denegre
Baymark Partners
O: 972-991-5457 | M: 214-625-3344
www.baymarkpartners.com

New Process Improvements

- Information/communications improvements
 - No detailed reports available on sales and inventory – Have no idea on what was sold each day and what was in warehouse. Counted products three times between December 2017 and February 2018.
 - Created daily detailed sales report and daily inventory listing.
 - Inventory listing is critical for the implementation of Just-In-Time purchasing, and Price Aging.
 - Improve communications between sales and Fulfillment to make sure availability of products before sales events
- Product Selection Process
 - Meet every Monday morning to discuss proposed product acquisitions– Input from everyone - a group of brains is better than just one.
 - Insist on sample testing before approving products
 - Door Bell camera and sport watches resulted to over 300 customer complains weekly.
 - Complains improved to about 3-5 weekly now
 - Rejected multiple samples for poor performance
- Pricing
 - Inconsistent pricing resulting to losses and issues with Market Places
 - Pricing without consideration of weight and size of product. Use standard \$3 per item rate for US shipping. Actual cost may be many times more
 - No consideration on margin for new products

Latest Accomplishments

- Selected by Amazon as Choice Product two consecutive weeks
 - Bath Room Accessories – sold 91 sets
 - Pet water bottle this week
- Promoted by Groupon to Level 2 supplier
 - Allow to sell \$5,000 worth products
 - Must be able to deliver within 2 days after the receipt of orders
 - Was allowed to sell only \$1,000 worth products. Exceeded that amount several consecutive weeks.
 - Received letter complimenting our record on on-time shipping
- Open up new market places – Restaurant.com
 - Received the first payment from them
 - Will continue to grow account
- Signed contract with Bed, Bath and beyond. Working with them to select appropriate products
- Lack of new products resulting to limitation to continuous growth

Sales Program is working

- The attached inventory listing indicates that the sales program is working.
- With a few seasonal products, such as Easter bunny purse of which we received them after Easter. We will continue to sell those in other events. All other product sold rapidly.
- Many products were replenished several time as demand from customers continues to grow
- Some of these products are currently out of stock due to limited financial support to replenish
- Margin on some of these products are low due to competition in market places such as Amazon. Margin will improve once process for sea ship is implemented. Current margin on the average is 20%. Sea shipping will increase margin to about 50%
- Products purchased were mainly lower cost (not lower quality) products again due to limited financial resources. This will change in the future

New growth Strategies

- Must broaden the current product portfolio to include more high quality products
 - Low Price For High Quality Products
 - No longer sells poor quality electronic products with poor apps.
 - Test and accept only high quality, reliable products – reject products with poor performance
 - Products to be included in the portfolio are:
 - High quality electronic products, including products for connected homes
 - High quality household products – rejected products made with poor quality material
 - Some beauty products but no more cosmetics
 - No more clothing – too many sizes and color choices
 - No more cell phone related products – design changes too often
 - Leverage current sales momentum to continue working with reputable market places
 - Always leads, never follows

Product Purchase Numbers

- The product purchase numbers are derived based on the following assumptions:
- 1. We have to catch up on the first few months for Christmas and Black Friday sales products.
- 2. We also have to order a limited replenishment supplies to keep the market places going. This limited replenishment will be air shipped and will be around \$2,000.
- 3. Products purchasing continues to include replenishments and new items. The percentage of new vs. replenishments changes each month as we reach our goal on new and old product mix. I expect our product mix to be about 30% new and 70% replenishment
- We need to start attending trade shows so we can keep abreast of the latest product trends. We are currently always behind on the latest trends

Freight

- This has several types of freight included in my estimate:
- 1. Sea ship charge – this is a flexible charge depending on the season, the size and weight of the shipment. We are going to try to keep the shipment at the most effective range.
- 2. Air ship using airlines - DHL offers this service for shipment over 100kg, but not economical for sea ship. We will check each time for the best shipping rate. Again, the rate will be flexible depending on the season, weight and size as well.
- 3. Air Ship using DHL Express – This is our current method of shipping. I call this as shipping via private jets and is the most expensive but fastest. WE already have US government approval for shipping “dangerous” shipment using this method. Lithium battery is included in the category.
- 4. The budget also includes the use of DHL eCommerce for US shipping. This is also depending on weight, size and zone. We are using the most expensive zone for calculating margining.
- 5. I balanced the four factors to come up with the shipping estimate.

Starting Capital Investments

1. Payroll – Current payroll is about \$11,000 every two weeks, including my paycheck. I need to have support for at least three payroll periods before payments start to catch up.
2. Rent –Estimated to be around \$2500 to \$3000 per month plus utilities. A one-moth deposit for the new place is common.
3. Temporary storage – about \$1,000 for the first month. Dana and Paula is checking on that today
4. Moving expenses – about \$1,000 including furniture, etc.
5. DHL eCommerce payment – currently overdue is about \$2500. Have to pay so we can continue to ship and use the account in the future.
6. My credit card bill of about \$16,000 has to paid in mid-September. All of these are DHL payments. I can handle my paycheck issues later as finance improves
7. Product replenishment \$2500 now
8. Product purchased \$10,000 for new products, and some replenishment product for sea ship.
9. Insurance – about \$4,000 to start

Major shift in sales strategy

- Continue to use Just In Time principals, but consider delivery times with sea shipping. Sea shipping takes about 33 days to arrive. Air shipping is about 7 to 10 days to arrive.
 - Must be well planned and executed
 - Must consider size and weight of products to be shipped to take advantages of best rate
- NO MORE AIR SHIP. WILL USED ONLY SEA SHIP
 - Air ship cost \$3.48 per lb.
 - Sea ship cost \$0.52 per lb.
 - Required much better planning and decision making
- Lower shipping costs allow for better pricing and higher margin
- All new products must be evaluated for profit margin before introduction
 - Current financial difficulties are caused by poor margin on products
 - Not able to take advantages of several special sales events, like FOX, due to poor product planning

Budget Assumptions

- Revenue for September assumes continuing of selling inventories and small quantity of replenishment supplies to be air shipped for timing reasons. Must continue momentum with better market places such as Groupon, eBay, Amazon, and Jane. Sales with Mysell will continue in September.
- Orders for Christmas and Black Friday Products will be completed by early September and must be available in early October. A list of such products are already completed waiting on the availability of funding
- We need to work on the breadth of product portfolio based on decision of what products to carry in the future. Quality. Quality.
- No increase in payroll until December 2018. May add another sales associate in December
- Assuming debt payment of \$1,000 per week increase to \$3000 per month
- Other Operation Expenses includes insurance, Internet, Email, etc.
- October, November and December are the best selling months of the year. New Products must be available by late September to catch the sales schedule

Monthly Cash Budget

	9/18	10/18	11/18	12/18	1/19	2/19	3/19	4/19	5/19	6/19	7/19	8/19
Beginning Cash	200,000	165,000	145,500	170,700	221,780	285,800	388,580	492,840	634,380	798,800	951,160	1,164,400
Cash Collected	35,000	80,000	115,000	165,000	190,000	285,000	325,000	375,000	425,000	425,000	510,000	550,000
Total Cash Available	235,000	245,000	260,500	335,700	411,780	570,800	713,580	867,840	1,059,380	1,223,800	1,461,160	1,714,400
Product Purchase	34,000	55,000	45,000	63,000	72,000	108,000	136,000	144,000	162,000	171,000	189,000	207,000
Freight Payments	6,500	15,000	15,300	21,420	24,480	36,720	46,240	48,960	55,080	58,140	64,260	70,380
Total Product Cost	40,500	70,000	60,300	84,420	96,480	144,720	182,240	192,960	217,080	229,140	253,260	277,380
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	6,000	6,000	6,000	6,000
Payroll	22,000	22,000	22,000	22,000	22,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Other OPEX	2,500	2,500	2,500	2,500	2,500	2,500	3,500	3,500	3,500	3,500	3,500	3,500
Debt Re-payment	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,000	4,000	4,000	4,000	4,000
Total Expenditure	29,500	29,500	29,500	29,500	29,500	37,500	38,500	40,500	43,500	43,500	43,500	43,500
Total Outlay with product	70,000	99,500	89,800	113,920	125,980	182,220	220,740	233,460	260,580	272,640	296,760	320,880
Cash Ending	165,000	145,500	170,700	221,780	285,800	388,580	492,840	634,380	798,800	951,160	1,164,400	1,393,520

Note: Cash Collection for 09/18 is from initial investment

EBITDA

	9/18	10/18	11/18	12/18	1/19	2/19	3/19	4/19	5/19	6/19	7/19	8/19	TTM
Revenue	45,000	85,000	125,000	175,000	200,000	300,000	350,000	400,000	450,000	475,000	525,000	575,000	3,705,000
Product Cost	34,000	55,000	45,000	63,000	72,000	108,000	126,000	144,000	162,000	171,000	189,000	207,000	1,376,000
Shipping Cost	6,500	15,000	15,300	21,420	24,480	36,720	42,840	48,960	55,080	58,140	64,260	70,380	459,080
Cost of Goods Sold	40,500	70,000	60,300	84,420	96,480	144,720	168,840	192,960	217,080	229,140	253,260	277,380	1,835,080
Net Profit	4,500	15,000	64,700	90,580	103,520	155,280	181,160	207,040	232,920	245,860	271,740	297,620	1,869,920
Margin	10.00%	17.65%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%	51.76%
Operating Expenses													
Salary	22,000	22,000	22,000	22,000	22,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	320,000
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	6,000	6,000	6,000	6,000	48,000
Amortization													
Depreciation													
Earning Before Interest and Taxes	-20,500	-10,000	39,700	65,580	78,520	122,280	148,160	174,040	196,920	209,860	235,740	261,620	1,501,920
Interest Expenses	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Operating Income (Earning before Taxes)	-21,500	-11,000	38,700	64,580	77,520	121,280	147,160	173,040	195,920	208,860	234,740	260,620	1,489,920
Net Profit (EBITDA)	-21,500	-11,000	38,700	64,580	77,520	121,280	147,160	173,040	195,920	208,860	234,740	260,620	1,489,920

Immediate Capital Requirements

Payroll	11,000	1st payroll period
Product - Replenishment	4,000	Initial replenishment
Replenishment shiping	1,500	Air Ship - Net 2 Days
Product New First Month	40,000	Christmas and Black Friday
Product New 2nd & 3rd month	50,000	
Rent temp space	1,000	
Moving	1,000	
Insurance	4,000	first month payment
DHL payment	16,000	Charged to my credit card before. It is due now
DHL overdue payment	3,000	
Other DHL payments	3,000	For Bye Bye Clot shipping
Rent, new space deposit	3,000	
First month's rent	3,000	
Salary Accured	60,000	2nd & 3rd payroll plus Bill's accrued pay
Total capital requirements	200,500	

Summary

- Company can start growing immediately as processes and sales momentum are already in place. No waiting period required.
- Need to have funding to start ordering. Planning for new products are almost completed.
- Need to look for another place to move to. Process of finding another place has already started. Looking for a place with about \$1,800 to \$2,000 per month rent. Current location is about \$6,000 per month, with another \$2,000 additional rent addition for a total of \$8,000 per month
- Start to sort out products which are still selling. We may have to move those products out immediately due to the issues of back rent and rent differential. We will be looking at storage units until a permanent location can be located. We will leave certain products behind to save cost.